

WEEK ENDED APRIL 30, 1921.

FINANCIAL NEWS
AND COMMENT

Industry Appears to Need Lower Production Costs, Not Easement in Credit.

TRADE IS STILL SPOTTY
Gain in One Section Is Offset by Dulness or Setback in Another.

A wealth of new developments affecting business and finance last week left the outlook as perplexing as ever because of the conflicting aspects of some of them. There appeared the certain indication of easing credit through a reduction of the Bank of England's discount rate from 7 per cent. to 6½ per cent. and in a reaction of the rate of commercial bill discounts in New York to the lowest point in two years for selected paper; yet no immediate stimulant to sentiment was recorded outside of the stock market.

Gold continued to pour into the country from all points of the compass until the month's total of imports reached nearly \$50,000,000, and additions to the Federal Reserve holdings made the gold reserve almost \$200,000,000 larger than at the close of 1920. The greatest corporation bond issue ever offered to the public for subscription—the \$200,000,000 Great Northern-Northern Pacific joint issue—was applied for with a margin over that indicated the presence of a large amount of savings available for investment in a prime security.

In dealing with such superlatives as these events warrant it would be decidedly satisfactory if facts permitted description of constructive forces growing out of them. But it happened that contrary elements entered the situation here and there throughout the week.

Lower Discounts Likely.
No question exists that the new Bank of England rate suggests a freer movement of credit and a freer use of it in trade by and by. Nor is there reason to believe anything but that the relaxation of mercantile bill discounts from 7½ to 7 per cent. to 6½ per cent. in New York for a moderate amount of business shows that the time is near when the Reserve Board will sanction a marking down of rediscount rates.

The reserve system is in the strongest position in respect to the relation of cash to note and deposit liabilities that it has occupied since the last week of August, 1918. The accumulation of gold, due to the grim necessities of foreign buyers of our goods, promises to continue for some time, adding to the bank reserves. The rediscount rate will come down.

But the trend of industry thus far into the year has not shown that an easement in credit costs will bring immediate response in a resumption of business activity. The impression is firm in some quarters that industry is on the mend, yet the record of actual achievement is decidedly uneven, and whenever one finds proof that a gain has occurred in one channel there almost always arises offsetting facts of inertia or loss elsewhere.

U. S. Steel's Showing.
The Steel Corporation's report for the March quarter supplied an excellent example of present repressive factors in business. Every one expected a sharp drop of earnings as compared with the final three months of 1920; a contraction was inherent in the known slackening of operations from around 30 per cent. of capacity in January to 46 per cent. in March.

It was not thought generally though that lessened mill activity, with its inevitable increase of overheads, would bear so heavily upon business in March that that month would show 47 per cent. smaller profits than January. And the processes at work in the final months of the quarter threaten to continue for a time, as trade surveys indicate only a moderate stimulant to steel prices.

From the present standpoint, it seems as though the most effective spur for industry is not to come from a lower cost of credit, although a cut in rediscount rates unquestionably would help sentiment; nor is it to be derived from gold imports, which are a rather doubtful benefit, since we had at the end of last year all that we were likely to be transmitted from the flow of idle millions into new securities. The better that little real improvement of manufacturing and sales can appear before concrete results in the spring further into the industrial fabric.

The Pennsylvania Railroad's dividend reduction showed how the wind is blowing for the railways. When a corporation cuts the payment which it has steadily maintained on its stock for nearly a generation it is plain that such action is taken reluctantly and not until all avenues of relief have been examined.

The process of paying out 102 cents for every dollar taken in has a limit of mere maintenance of terms. Accumulated surplus and ordinary business sense. It is significant that workmen in several fields are beginning to concede that the pay for their services in the last six years installed to parallel the rising cost of living are retarding the return to normal conditions. And events seem to be showing that the corporation in the steel trade and elsewhere for general reductions, or an equivalent benefit in respect to production and costs, is taken more reluctantly and a full day's work for a day's pay.

The advance of stocks last week, especially those industrial issues in which speculative cliques succeeded in arousing a following, evidently had some of its roots in what is expected to develop in trade and industry in the next few months. The stock market does not wait for actualities; it is wont to make the most of signs which are not always clear to the outside observer of business conditions. But the uncertainty of the present outlook, including the final decision on the German reparations, would be different from that in somewhat similar periods of the past if it indicated continued clear sailing for the full party.

TOTAL TRANSACTIONS IN THE NEW YORK STOCK EXCHANGE

WEEK ENDED APRIL 30, 1921.										1921.										1920.										1919.																													
Sales for week.										5,271,688										5,476,037										5,701,391										98,381,798										75,681,046									
Range	High	Low	Yield	Div.	Net	Range	High	Low	Yield	Div.	Net	Range	High	Low	Yield	Div.	Net	Range	High	Low	Yield	Div.	Net	Range	High	Low	Yield	Div.	Net	Range	High	Low	Yield	Div.	Net																								
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